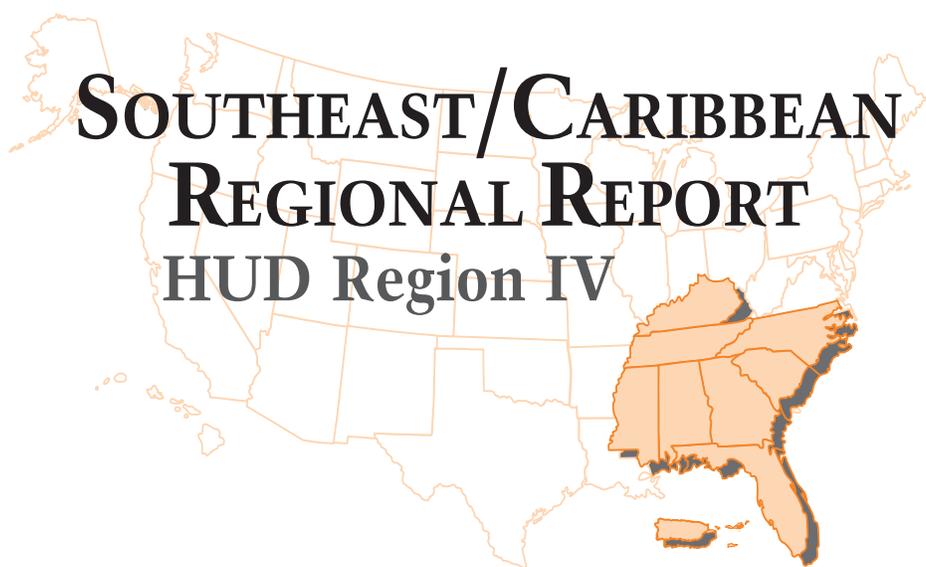




# U.S. Housing Market Conditions



## SOUTHEAST/CARIBBEAN REGIONAL REPORT HUD Region IV

### 2nd Quarter Activity

The following summary of the Southeast/Caribbean region's housing market conditions and activities has been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The report provides overviews of economic and housing market trends within the Southeast/Caribbean region. The report is based on information obtained by HUD economists from state and local governments, from housing industry sources, and from their ongoing investigations of housing market conditions carried out in support of HUD's programs.

With employment in states throughout the Southeast/Caribbean region beginning to stabilize or recover from the recent economic downturn, overall employment in the region increased at a moderate pace during the past 12 months. During the 12 months ending June 2012, nonfarm payrolls in the region increased by 232,000 jobs, or 0.9 percent, to 25.4 million. The states with the largest numbers of jobs added were Florida and Tennessee. In Florida, payrolls increased by 72,500 jobs, or 1 percent, to 7.31 million. In Tennessee, payrolls increased by 44,300 jobs, or 1.7 percent, to 2.68 million. Payrolls were relatively stable in Alabama, Mississippi, and Puerto Rico at 1.87 million, 1.09 million, and 922,100 jobs, respectively. The Virgin Islands was the only exception

to the stabilization trend in the region, with payrolls decreasing by 2.6 percent, or 1,200 jobs, to 43,200 jobs after a growth of 1 percent in the previous year. The professional and business services and the education and health services sectors led growth in the region during the past 12 months, with gains of 102,500 jobs, or 3.2 percent, and 65,800 jobs, or 1.9 percent, respectively. Because of ongoing demand for health services and increased demand for job training, the education and health services sector was the only sector in the region to grow each year from 2008 through 2010. During the 12 months ending June 2012, the construction subsector and the government sector decreased by 39,100 and 19,300 jobs, or 4.1 and 0.4 percent, respectively, more than any other subsector or sector. Job declines resulted from continued weak sales housing markets and from state and federal job cuts that overwhelmed a modest increase in local government payrolls in the region. As a result of overall job gains during the 12 months ending June 2012, the unemployment rate in the region declined to 9.6 percent from 10.6 percent during the previous 12 months. The unemployment rate decreased in all states in the region, with Florida recording the most improvement to 9.6 percent from 11.0 percent a year earlier. Alabama and Tennessee had the lowest average unemployment rates at 8.2 and 8.5 percent, respectively.



Sales housing markets throughout the Southeast/Caribbean region are soft. Despite moderate employment gains during the past 12 months, the percentage of mortgage loans in the region that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) was unchanged between June 2011 and June 2012 at 10.9 percent, according to LPS Applied Analytics. The lowest rates in June 2012 were recorded in Alabama, Kentucky, North Carolina, and Tennessee at 6.3, 6.4, 6.4, and 6.6 percent, respectively. The distressed loan rate in Florida remains the highest in the region at 17.7 percent, more than twice the national rate of 7.7 percent. Excluding Florida, the distressed loan rate for the region would be 7.1 percent.

Although home sales have increased in most markets, sales of distressed properties continue to depress sales prices. According to data from CoreLogic®, during the 12 months ending May 2012, 40 percent of existing homes sold in the region were REO or short sales, an improvement from 45 percent during the previous 12 months. In North Carolina, approximately 83,800 existing homes sold statewide during the 12 months ending May 2012, 8 percent more than in the 12 months ending May 2011, according to the North Carolina Association of REALTORS®. The average home sales price during the 12 months ending May 2012 was approximately \$197,000, a decrease of 2 percent from the preceding 12 months. The number of existing home sales increased in the three largest metropolitan areas of North Carolina—Charlotte, Greensboro, and Raleigh (which includes new homes); sales increased by 12, 10, and 9 percent, respectively. Average home sales prices decreased 1, 4, and 3 percent in the metropolitan areas to \$201,600, \$149,100, and \$221,500, respectively.

According to the Alabama Center for Real Estate at the University of Alabama, during the 12 months ending June 2012, 38,750 homes and condominiums sold statewide, up 14 percent from the previous year. Each of the four largest metropolitan areas of Alabama—Birmingham, Huntsville, Mobile, and Montgomery—reported increases in the number of homes and condominiums sold. The statewide average home sales price of \$141,600 decreased 2 percent from the previous year. The Kentucky Association of REALTORS® reported about 35,650 new and existing homes and condominiums sold statewide during the 12 months ending May 2012, 9 percent more than during the previous 12 months. The median sales price for a home or condominium sold in May 2012 was approximately \$107,750, a decrease of 1 percent from May 2011. The Lexington-Bluegrass Association of REALTORS® reported about 6,800 new and existing homes sold during the 12 months ending June 2012, 19 percent more than during the previous 12 months. The average sales price of a home sold during the period was \$166,900, a decline of 2 percent from the previous 12 months. About 425 condominiums and townhomes sold during the 12

months ending June 2012, a 4-percent decrease, and the average sales price decreased 6 percent from the previous 12 months, to \$147,200.

According to data from Florida Realtors®, sales of existing homes in Florida totaled 191,400 during the 12 months ending June 2012, a 6-percent increase from the 12 months ending June 2011 when 180,700 homes sold. The median sales price for an existing single-family home in Florida in June 2012 was \$151,000, an increase of 8 percent from the previous year. Statewide sales of existing townhomes and condominiums in the 12 months ending June 2012 decreased by less than 1 percent in the 12 months ending June 2011 to 98,150 units, and the median sales price was \$110,000 in June 2012, or 16 percent higher than in June 2011. In South Carolina, according to data from South Carolina REALTORS®, during the 12 months ending June 2012, the number of existing homes sold in the state increased by approximately 2,625 homes, or 6 percent, to 47,200 homes. The number of homes sold increased in 13 of the 16 reported areas of the state. Through June 2012, the year-to-date median home sales price for the state increased by 2 percent to \$149,000 compared with the median price during the same period in 2011. Median sales prices increased in 9 of the 16 reported areas.

In Tennessee, according to the Greater Nashville Association of REALTORS® Inc., the number of new and existing single-family homes and condominiums sold in Nashville increased by 19 and 13 percent to approximately 19,100 and 2,450 homes, respectively. The median sales price for single-family homes and condominiums increased by 3 percent to \$182,000 and by 7 percent to \$160,000, respectively, in June 2012 compared with the median price in June 2011. According to the Knoxville Area Association of REALTORS®, in the 12 months ending May 2012, the number of new and existing single-family homes and new and existing condominiums sold in Knoxville increased by 13 percent to 9,275 and by 4 percent to 960, respectively, and average sales prices decreased 1 percent to \$171,900 and 2 percent to \$151,500, respectively. According to data from the Memphis Area Association of Realtors®, in the 12 months ending June 2012, the total number of new single-family homes sold in Memphis decreased by 11 percent to 480; sales of existing single-family homes increased by 12 percent to 12,200. The median sales price for new homes sold in June 2012 increased by 24 percent to \$245,300 and existing home sales prices increased by 5 percent to \$89,600.

Because of improved sales markets in the Southeast/Caribbean region during the past 12 months, builders increased production of single-family homes, as measured by the number of building permits issued. During the 12 months ending June 2012, preliminary data indicate permits for single-family homes increased by approximately 16,200, or 17 percent, to 113,900 homes permitted. Although the number of permits has increased, it remains



near the recent low in 2011. Because rental markets continue to tighten, apartment construction has also increased significantly during the past 12 months as builders responded to increased occupancy and rising rents. In the 12 months ending June 2012, permits for multifamily units increased by 21,750, or 81 percent, to approximately 48,800 units permitted, the highest number of units permitted in the region since 2008.

Most apartment markets throughout the region are balanced, with average vacancy rates ranging from approximately 4 to 8 percent. As a result of limited apartment

construction during the past year, vacancy rates fell in each of the major metropolitan areas. The only market to remain slightly soft was the Memphis metropolitan area, where the vacancy rate exceeds 9 percent, despite falling by approximately 2 percentage points during the past year. According to Reis, Inc., the apartment vacancy rates in Atlanta and Miami were 7.2 and 4.2 percent, respectively, in the second quarter 2012. Rents increased 2 percent in each of the two metropolitan areas during the past year to \$870 and \$1,100, respectively.